

LIBERAL MEMORIAL LIBRARY  
Liberal, Kansas

AUDIT REPORT

For the years ended December 31, 2011 and 2010

LIBERAL MEMORIAL LIBRARY  
Liberal, Kansas

AUDIT REPORT

For the years ended December 31, 2011 and 2010

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## INDEPENDENT AUDITOR'S REPORT

To the Board Members of the  
Liberal Memorial Library  
Liberal, Kansas 67901

We have audited the accompanying financial statements of the Liberal Memorial Library, Liberal, Kansas, as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Liberal Memorial Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Liberal Memorial Library, as of December 31, 2011 and 2010, and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 14 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of

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management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hay•Rice & Associates, Chartered

July 11, 2012

LIBERAL MEMORIAL LIBRARY  
Liberal, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2011

As management of the Liberal Memorial Library, we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Liberal Memorial Library for the fiscal year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with the financial statements, which begin on page 7.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Library's financial statements. The financial statements are designed to provide readers with a broad overview of the Library's finances. One of the most important questions asked about the Library's finances is, "Is the Library as a whole better off or worse off as a result of the year's activities?" The balance sheet and the statement of revenues, expenses, and changes in fund equity report information about the Library in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The balance sheet presents information on all of the Library's assets and liabilities, with the difference between the two reported as fund equity. Over time, increases or decreases in fund equity may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The statement of revenues, expenses, and changes in fund equity presents information showing how the Library's fund equity changed during the most recent fiscal year. All changes in fund equity are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

The financial statements report on the function of the Library that is principally supported by intergovernmental revenues. The Library's function is to provide a library for the City of Liberal and the surrounding area, which is funded primarily with tax revenues levied by the City of Liberal on the Library's behalf.

Government-Wide Financial Statements vs. Fund Financial Statements

The Library maintains one governmental fund to account for all its functions. The governmental fund type financial statements represent both the government-wide financial statements, as well as the fund financial statements.

## Notes to the Financial Statements

The notes provide additional information that is essential to the full understanding of the amounts provided in the financial statements. The notes to the financial statements can be found on pages 9 through 12 of this report.

### Financial Highlights

- The assets of the Library exceeded its liabilities at the close of the most recent fiscal year by \$983,302.
- The Library had property tax revenues of \$551,690, intergovernmental revenues of \$10,652, program revenues (charges for services) of \$24,759 and program expenses of \$606,368 for the year ended December 31, 2011.
- The cash balance at December 31, 2011 was \$488,944 representing an increase of \$47,654 from January 1, 2011.

### Capital Assets and Debt Administration

#### Capital Assets

As of December 31, 2011, the Library's investment in capital assets for its governmental activities was \$506,024 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

Additional information on the Liberal Memorial Library's capital assets can be found in Note 5 on page 11.

### Financial Analysis

A comparative analysis of current and prior year balances follows:

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
Total assets	\$1,578,566	\$1,545,102
Total liabilities	595,265	593,568
Total fund equity	983,302	951,533
Total revenue	638,137	620,241
Total expenses	606,368	563,392
Net increase (decrease) in net assets	31,769	56,849
Cash and cash equivalents	488,944	441,290

### Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Library's budget for the 2011 fiscal year:

Enhance new and existing programs

Increasing cost of materials

Employment of adequate staff members

### Contacting the Library's Financial Management

The financial report is designed to provide a general overview of the Library's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Liberal Memorial Library, 519 N. Kansas, Liberal, Kansas 67901, or call (620) 626-0180.

LIBERAL MEMORIAL LIBRARY  
Liberal, Kansas

FINANCIAL STATEMENTS  
For the years ended December 31, 2011 and 2010



LIBERAL MEMORIAL LIBRARY  
Liberal, Kansas

Statement 1

STATEMENTS OF NET ASSETS  
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash and investments	\$ 488,944	\$ 441,290
Taxes receivable	583,598	583,598
Capital assets	1,383,778	1,364,418
<u>Less – Accumulated depreciation</u>	<u>(877,754)</u>	<u>(844,204)</u>
 Total Assets	 <u>\$1,578,566</u>	 <u>\$1,545,102</u>
 <u>Liabilities</u>		
Accounts payable	\$ 5,950	\$ 5,428
Accrued salaries	5,717	4,542
Deferred revenue	<u>583,598</u>	<u>583,598</u>
 Total Liabilities	 <u>\$ 595,265</u>	 <u>\$ 593,568</u>
 <u>Net Assets</u>		
Unrestricted	\$ 477,278	\$ 431,319
Invested in capital assets	<u>506,024</u>	<u>520,214</u>
 Total Net Assets	 <u>\$ 983,302</u>	 <u>\$ 951,533</u>

The notes to the financial statements are an integral part of this statement.

LIBERAL MEMORIAL LIBRARY  
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Statement 2

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Expenditure/Expenses</u>		
Library Operations:		
Personal services	\$ 318,062	\$ 285,437
Commodities	80,324	103,683
Contractual services	174,136	138,132
Depreciation	<u>33,846</u>	<u>36,140</u>
Total program expenses	\$ 606,368	\$ 563,392
 <u>Program Revenues</u>		
Charges for services	<u>24,759</u>	<u>22,830</u>
Net program expenses	\$ <u>581,609</u>	\$ <u>540,562</u>
 <u>General Revenues</u>		
Property taxes	\$ 551,690	\$ 543,736
Intergovernmental	22,750	20,799
Investment earnings	2,295	3,301
Gifts and bequests	1,162	2,805
Miscellaneous	7,195	8,282
Grants	<u>28,286</u>	<u>18,488</u>
Total general revenues	\$ <u>613,378</u>	\$ <u>597,411</u>
Increase in Net Assets	\$ 31,769	\$ 56,849
Net Assets, Beginning of the Year	<u>951,533</u>	<u>894,684</u>
Net Assets, End of the Year	\$ <u>983,302</u>	\$ <u>951,533</u>

The notes to the financial statements are an integral part of this statement.

LIBERAL MEMORIAL LIBRARY  
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NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2011 and 2010

Note 1: Reporting Entity

Liberal Memorial Library is a municipal organization governed by an appointed board. The Liberal Memorial Library is a component unit of the City of Liberal, Kansas. There are no component units of the Liberal Memorial Library.

Note 2: Summary of Accounting Policies

The Library has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented after applying memorandum adjustments, where applicable, resulting in financial statements presented on the accrual basis of accounting.

Budgets

Applicable Kansas statutes require that budgets be legally adopted for all funds, unless exempted by a specific statute. All budgets are prepared utilizing the modified accrual basis further modified by the encumbrance method of accounting - that is, commitments, such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures.

Budget authorizations are not required for the State Aid, Gift and Bequest, Capital Improvements or Capital Projects Funds.

Schedule 1 presents budgetary comparisons of the General Fund.

LIBERAL MEMORIAL LIBRARY  
Liberal, Kansas

NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2011 and 2010  
(Continued)

Note 3: Cash and Time Deposits

Cash on hand, demand and time deposits are shown in aggregate in accordance with the provisions of KSA 12-1671 and 12-1672.

Time deposits are carried at cost, plus accrued interest. The carrying amount of these deposits are included in the financial statement as "cash and time deposits".

In accordance with KSA 9-1402 and KSA 12-1675, the Library Board deposited their funds with First National Bank, Liberal, Kansas.

The following coverage was provided at December 31, 2011:

First National Bank:			
Carrying value – Book value	\$488,944		
Balance per bank statements		\$503,391	
FDIC			\$500,000
Depository security			\$426,175
Funds at risk			-

Note 4: Accounts Receivable

Generally, the only stated receivables would be as follows:

- 1 – Available Library Fund balance at year end limited to the budget appropriation on hand with the City Treasurer.
- 2 – Any reimbursements due from the Library System and from other individuals.
- 3 – Balances due on state contractual agreements at year end.

LIBERAL MEMORIAL LIBRARY  
Liberal, Kansas

NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2011 and 2010  
(Continued)

Note 5: Statement of Changes in General Fixed Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Land	\$ 28,000	\$ -	-	\$ 28,000
Building	122,680	-	-	122,680
Building addition	550,794	-	-	550,794
Improvements	202,936	6,400	-	209,336
Furnishings and Equipment:				
Office furniture and equipment	366,511	12,960	-	379,471
Shelving, etc.	76,611	-	-	76,611
Audio-visual equipment	<u>16,886</u>	<u>-</u>	<u>-</u>	<u>16,886</u>
Total Current Year	\$1,364,418	<u>\$ 19,360</u>	<u>-</u>	\$1,383,778
<u>Less</u> – Accumulated depreciation	<u>(844,204)</u>			<u>(877,754)</u>
Net Capital Assets	<u>\$ 520,214</u>			<u>\$ 506,024</u>

Note 6: Vouchers Payable

Vouchers payable are classified on the basis of a claim for payment resulting from legal title to property.

Note 7: Compensated Absences/Uncompensated Absences

Liabilities for compensated absences have been inventoried at the end of the year and adjusted, if applicable, to current salary cost.

Upon termination, an employee shall not be paid for any accumulated unused compensatory or sick leave time. Therefore, no liability has been recorded.

LIBERAL MEMORIAL LIBRARY  
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NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2011 and 2010  
(Continued)

Note 8: Defined Benefit Pension Plan

The Liberal Memorial Library contributes to the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by KSA 74-4901, et seq. KPERs provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 S. Kansas, Suite 100, Topeka, KS 66603), or by calling 1-888-275-5737.

KSA 74-4919 establishes the KPERs member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERs employers. The employer rate established by statute for calendar year 2011 is 6.74%. The Liberal Memorial Library contributions to KPERs for the years ending December 31, 2011, 2010 and 2009 were \$28,828, \$21,821 and \$20,078, respectively, equal to the required contributions for each year.

Note 9: Reconciliation of Difference Between Governmental Fund Statement and the Statement of Net Assets

Fund balance, Schedule 1	\$336,555
Fund balance – State aid	42,973
Fund balance – I.L.L. Development Fund	-
Addition of net capital assets	<u>603,774</u>
Net assets, Statement 1	<u>\$983,302</u>

LIBERAL MEMORIAL LIBRARY  
Liberal, Kansas

SUPPLEMENTAL SCHEDULES  
For the years ended December 31, 2011 and 2010

LIBERAL MEMORIAL LIBRARY  
Liberal, Kansas

Schedule 1

GOVERNMENTAL FUND  
STATEMENTS OF REVENUE AND EXPENDITURES  
COMPARED WITH BUDGET ESTIMATES  
For the years ended December 31, 2011 and 2010

	<u>Current Year</u>			<u>Prior</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavor.)</u>	<u>Year</u> <u>Actual</u>
<u>Revenue</u>				
Appropriation from City:				
Library Fund	\$551,690	\$583,598	\$ (31,908)	\$543,736
Library System	6,435	-	6,435	6,786
Fines, fees and xerox	24,759	18,000	6,759	22,831
Gift and Bequest	1,162	-	1,162	2,805
Miscellaneous	760	-	760	1,496
Interest	2,295	3,000	(705)	3,301
Grants	<u>51,036</u>	<u>46,440</u>	<u>4,596</u>	<u>39,287</u>
Total revenue	<u>\$638,137</u>	<u>\$651,038</u>	<u>\$ (12,901)</u>	<u>\$620,242</u>
<u>Expenditures</u>				
Salaries	\$318,062	\$330,089	\$ 12,027	\$285,437
Payroll taxes	24,496	33,743	9,247	24,105
Health/Life insurance	52,491	45,320	(7,171)	39,996
Books/Foreign language	33,975	45,800	11,825	37,967
Building maintenance	7,500	17,163	9,663	14,996
Periodicals and reference	5,042	7,000	1,958	4,962
Supplies and postage	12,648	19,000	6,352	11,456
Utilities and phone	24,924	35,600	10,676	24,087
Computer expense	107	-	(107)	140
Continuing education and travel	5,320	9,991	4,671	5,906
Insurance	7,998	14,089	6,091	265
Retirement	17,813	14,997	(2,816)	13,562

The notes to the financial statements are an integral part of this statement.



LIBERAL MEMORIAL LIBRARY  
Liberal, Kansas

Schedule 1  
(Continued)

GOVERNMENTAL FUND  
STATEMENTS OF REVENUE AND EXPENDITURES  
COMPARED WITH BUDGET ESTIMATES  
For the years ended December 31, 2011 and 2010

	<u>Current Year</u>			<u>Prior</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavor.)</u>	<u>Year</u> <u>Actual</u>
<u>Expenditures (Continued)</u>				
Miscellaneous	1,526	4,500	2,974	3,893
Service contracts	15,669	31,196	15,527	8,389
Travel and entertainment	1,480	-	(1,480)	690
Professional fees	3,328	4,000	672	3,283
Bibliofile/Microforms	237	350	113	11
Advertising/Marketing	104	-	(104)	455
Programs	5,397	9,000	3,603	5,006
Audio-visual	15,989	19,200	3,211	17,841
Interlibrary loan postage	816	5,000	4,184	834
Bank charges	81	-	(81)	261
Grants	17,519	5,000	(12,519)	6,863
Cleaning services	-	-	-	16,848
Depreciation expense	<u>33,846</u>	<u>-</u>	<u>(33,846)</u>	<u>36,140</u>
Total expenditures	<u>\$606,368</u>	<u>\$651,038</u>	<u>\$ 44,670</u>	<u>\$563,393</u>
Revenue over (under) expenditures	\$ 31,769			\$ 56,849
Fund Balances, January 1	<u>304,786</u>			<u>247,937</u>
Fund Balances, December 31	<u>\$336,555</u>			<u>\$304,786</u>

The notes to the financial statements are an integral part of this statement.